



Senator Feinstein Calls on GAO to Investigate California Crude Oil Prices January 21, 2005

Washington, DC – Following a study commissioned by the California State Controller, U.S. Senator Dianne Feinstein (D-Calif.) today requested that the Government Accountability Office (GAO) investigate whether the price of California crude oil has been manipulated.

California State Controller Steve Westly contends that prices for California's heavier oil are artificially low so that oil companies will not have to pay as much in royalty fees for the right to get oil from public lands. The study conducted by Innovation and Information Consultants, Inc. compared the difference in price between California crude oil and West Texas Intermediate, the U.S. benchmark crude.

Following is the text of the letter Senator Feinstein sent to GAO requesting an investigation:

January 24, 2005

Mr. David M. Walker
Comptroller General of the United States
Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Walker:

The California State Controller has written to me to request an investigation into the price differential between California crude oil and West Texas Intermediary (WTI).

A preliminary study conducted by Innovation and Information Consultants, Inc. looked at several market forces in order to explain the price disparity, including supply and demand factors and refining capacity. The analysis concluded, though, that the increase in the price differential since September 2004 cannot be explained by market forces. I have attached the report for your review.

Given California's recent experiences with fraud and manipulation of our energy markets, I take this report seriously. Therefore, I am asking you to investigate the causes of the increasing price differential between California crude and West Texas Intermediary and determine whether any price manipulation has occurred.

Thank you for your attention to my request. I look forward to working with you to determine the forces impacting the pricing of California's crude oil.

Sincerely,

Dianne Feinstein
United States Senator

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